

AGM highlights US progress – and the news keeps coming on RPM

After releasing its 1Q results, Respiri held its AGM on 15 November, outlining its continued progress on commercialising wheezo® in the US. The company highlighted that, within 8 months of commencing its US operations, it has worked with remote patient monitoring (RPM) partners (mTelehealth and Access Telehealth), to secure major RPM clients, and provided an update on a continuous monitoring wearable device, currently in development, targeting critical acute post-discharge patients.

AGM: poised to benefit from US RPM dynamics

At the AGM, Respiri focused on the respiratory health and RPM markets in the large, reimbursed US market (~50m asthma/COPD patients). With major RPM customers secured and several opportunities in late-stage negotiations, the company is poised to benefit from a booming RPM market with its end-to-end product, and has an R&D pipeline that it believes will position it to capture even greater market share of at-risk patients.

Medicare reimbursement for RPM grew by 588% yoy in CY2020, with upside of over \$1,750 per patient. The company expects first reimbursements in December 2022. Respiri expects to achieve breakeven with 30,000–40,000 active patients and has outlined a three-year path to breakeven with sustainable growth.

wheezo® for RPM: picking up wins in US market

After the AGM, Respiri announced that Minnesota Lung Center (MLC) has selected wheezo® and its RPM partner, Access Telehealth, for a pilot program that it will run for the management of patients with asthma and COPD. MLC is the first major US respiratory healthcare organisation to choose wheezo® for RPM, a significant milestone.

The 20-patient pilot will run over 3 months, with a view to achieving clinical benchmarks (fewer hospitalisations, better patient medical outcomes); integrating the RPM program with MLC’s systems; and achieving reimbursement from the Centers for Medicare and Medicaid Services. Respiri expects to roll out wheezo® RPM to MLC patients more broadly once the pilot is successfully completed.

Respiri further expects its recently announced major customers, Children’s Hospital of Michigan and a healthcare organisation based in North Carolina, will begin onboarding patients on the wheezo® program in the next month.

1QFY23 results

RSH ended 1Q with a cash + equivalents balance of \$0.7m and \$2.8m of finished goods inventory and prepaid materials. Operating cash outflows of \$1.2m fell \$0.13m quarter on quarter (qoq), with lower R&D, advertising & marketing, and staff costs. Admin and corporate costs were up 8% qoq, while product and manufacturing costs remained flat. A \$1.6m placement to fund US expansion was completed, with \$0.84m received post quarter end. Respiri also received a R&D grant of \$0.55m in October.

Valuation: fair value unchanged at A\$0.15/share (unchanged)

Our valuation uses DCF and incorporates shares on issue of 801.2m. Key risks: adoption of wheezo® by clinicians, supply chain disruptions to components in manufacturing, integration of wheezo® into hospital electronic medical record systems.

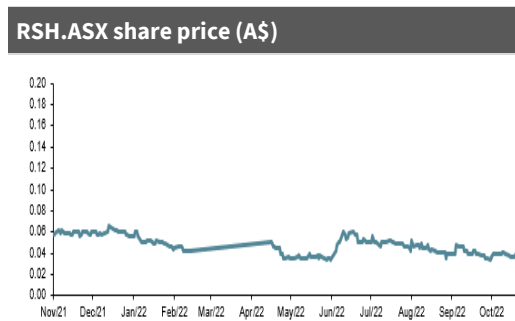


Respiri Limited is a commercial stage health-tech company developing mHealth and SaaS solutions for respiratory health management. It has proprietary technology and mobile health tools that specifically detect wheeze (an indicator of asthma, COPD, and respiratory disease more broadly) to provide an objective measure of airflow limitation. The company’s flagship wheezo® device and platform analyses breathing objectively, allowing for environmental factors; records, monitors and schedules medication including reminders; and shares data with healthcare providers. Both CE (Conformité Européene) mark and Therapeutic Goods Administration approval have been received.

Stock	RSH.ASX
Price	A\$0.04
Market cap	A\$34m
Valuation	A\$0.15 (Unchanged)

Company data	
Net cash	A\$0.7m (30 Sept 2022)
Shares on issue	801.2m

Next steps	
December 2022	First reimbursements
1HCY23	US RPM client wins



Source: FactSet.

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A \$1.6m placement to fund US expansion was completed, with \$0.84m received post quarter end. Respiri also received a R&D grant of \$0.55m in October.

Financials

Exhibit 1: Financial summary

Respiri						RSH-AU
Year end 30 June, AUD unless otherwise noted						
MARKET DATA						12-MONTH SHARE PRICE PERFORMANCE (A\$)
Price	\$	0.04				
52 week high / low	\$	0.03-0.07				
Valuation	\$	0.15				
Market capitalisation	\$m	33.7				
Shares on issue (basic)	m	801.2				
Options / rights	m	3.0				
Other equity	m	0.0				
Shares on issue (diluted)	m	804.2				
INVESTMENT FUNDAMENTALS						
Reported NPAT	\$m	(8.5)	(7.3)	(11.0)	(6.6)	
Underlying NPAT	\$m	(8.5)	(7.3)	(11.0)	(6.6)	(3.4)
Reported EPS (diluted)	¢	(169.0)	(127.0)	(158.0)	(90.9)	(42.8)
Underlying EPS (diluted)	¢	(169.0)	(127.0)	(158.0)	(90.9)	(42.8)
Growth	%		-24.9%	24.4%	-42.5%	-52.9%
Underlying PER	x	nm	nm	nm	nm	nm
Operating cash flow per share	¢	(1.3)	(0.8)	(1.0)	(1.2)	(0.7)
Free cash flow per share	¢	(1.3)	(0.8)	(1.1)	(1.2)	(0.7)
Price to free cash flow per share	x	nm	nm	nm	nm	nm
FCF Yield	%	nm	nm	nm	nm	nm
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	\$m	34.2	30.8	25.7	32.4	32.8
EV/EBITDA	x	(4.0)	(4.2)	(2.3)	(5.0)	(9.6)
EV/EBIT	x	(4.0)	(4.2)	(2.3)	(4.9)	(9.5)
Price to book (NAV)	x	(14.1)	12.1	4.0	10.6	7.4
Price to NTA	x	(14.1)	12.1	4.0	10.6	7.4
KEY RATIOS						
EBITDA margin	%	nm	nm	nm	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	\$	(0.0)	0.0	0.0	0.0	0.0
Book value per share	\$	(0.0)	0.0	0.0	0.0	0.0
Net debt/(cash)	\$m	0.5	(2.8)	(8.0)	(1.2)	(0.9)
Interest cover/ (EBIT /net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	(0.1)	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	(0.5)	nm	nm	nm	nm
DUPONT ANALYSIS						
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.0	0.0	0.0	0.1	0.6
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	(516.1)	287.5	0.0	0.0	0.0
Return on Equity	%	nm	nm	nm	nm	nm
KEY PERFORMANCE INDICATORS						
Wheezo	Key metrics	FY19A	FY20A	FY21A	FY22A	FY23E
Australia	Under review					
United States	Partnering deals, clinical adoption and CMS reimbursement claims					
United Kingdom	Clinical trials and rendered data					
Europe	Partnering and access to reimbursed markets					
HALF YEARLY DATA						
Total Revenue	\$m	0.1	1.2	0.0	0.7	0.1
Operating expenses	\$m	(5.9)	(6.0)	(3.8)	(3.5)	(3.8)
EBITDA	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.7)
EBIT	\$m	(5.8)	(6.4)	(4.8)	(2.9)	(3.8)
PBT	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.8)
Reported NPAT	\$m	(5.8)	(6.4)	(4.8)	(2.8)	(3.8)
PROFIT AND LOSS						
Revenue	\$m	0.0	0.0	0.3	0.3	3.1
Other income	\$m	1.0	2.2	1.2	0.5	0.6
Total Revenue	\$m	1.0	2.2	1.4	0.8	3.7
Operating expenses	\$m	(12.4)	(6.6)	(5.9)	(6.7)	(5.9)
EBITDA	\$m	(8.5)	(7.3)	(11.0)	(6.5)	(3.4)
Depreciation & Amortisation	\$m	0.0	0.0	0.1	0.1	0.0
EBIT	\$m	(8.5)	(7.3)	(11.0)	(6.6)	(3.4)
Net interest	\$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	\$m	(8.5)	(7.3)	(11.0)	(6.6)	(3.4)
Tax expense	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	(8.5)	(7.3)	(11.0)	(6.6)	(3.4)
Weighted average diluted shares	m	499.1	570.1	699.1	728.6	801.2
GROWTH PROFILE						
Revenue	%	17.3	114.0	(34.9)	(46.3)	383.5
EBITDA	%	173.6	(14.4)	51.2	(40.3)	(48.0)
EBIT	%	163.1	(14.4)	52.0	(39.9)	(48.2)
Reported NPAT	%	164.2	(14.3)	52.1	(40.0)	(48.2)
DPS	%	nm	nm	nm	nm	nm
BALANCE SHEET						
Cash	\$m	0.3	3.6	8.0	1.2	0.9
Receivables	\$m	0.2	0.0	0.1	0.1	1.3
Other	\$m	0.5	0.9	0.8	2.9	2.9
Current assets	\$m	1.0	4.4	8.9	4.1	5.0
PPE	\$m	0.0	0.2	0.2	0.1	0.1
Intangible assets	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.0	0.0	0.0	0.0	0.0
Non current assets	\$m	0.0	0.2	0.2	0.1	0.1
Total assets	\$m	1.0	4.6	9.1	4.2	5.1
Trade and other payables	\$m	1.8	1.1	1.3	0.8	0.2
Borrowings	\$m	0.8	0.7	0.0	0.0	0.0
Other	\$m	0.0	0.1	0.2	0.4	0.4
Current liabilities	\$m	2.6	2.0	1.5	1.2	0.6
Other financial liability	\$m	0.0	0.1	0.1	0.0	0.0
Other liability	\$m	0.0	0.0	0.0	0.0	0.0
Non current liabilities	\$m	0.0	0.1	0.1	0.0	0.0
Total liabilities	\$m	2.6	2.1	1.5	1.2	0.6
Net assets	\$m	(1.6)	2.5	7.6	3.0	4.6
Share capital	\$m	106.0	113.7	127.1	128.8	133.8
Retained earnings	\$m	(109.2)	(115.3)	(126.3)	(133.3)	(136.7)
Other	\$m	1.6	4.1	6.8	7.5	7.5
Total equity	\$m	(1.6)	2.5	7.6	3.0	4.6
CASH FLOW						
Net loss for period	\$m	(8.5)	(7.3)	(11.0)	(6.6)	(3.4)
Depreciation & Amortization	\$m	0.0	0.0	0.1	0.1	0.0
Changes in working capital	\$m	0.3	(0.8)	0.1	0.0	0.0
Other	\$m	1.8	3.4	3.5	(1.9)	(1.9)
Operating cash flow	\$m	(6.4)	(4.7)	(7.3)	(8.5)	(5.3)
Payments for PPE	\$m	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)
Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)
Equity	\$m	3.7	8.5	12.4	1.7	5.0
Other	\$m	0.6	(0.6)	(0.6)	(0.0)	0.0
Financing cash flow	\$m	4.3	8.0	11.8	1.6	5.0
Cash year end	\$m	0.3	3.6	8.0	1.2	0.9
Free cash flow	\$m	(6.4)	(4.7)	(7.4)	(8.5)	(5.3)

Source: Company reports, MST Access estimates.

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